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GENERAL

1. Chinese Communist conversations at the UN--The US delegation at the UN transmits accounts of separate conversations. Trygve Lie and Indian delegate Rau have had with General Wu. According to Lie, Wu made it very clear that the three demands of the Chinese Communist Government are: (a) the withdrawal of UN troops from Korea; (b) the withdrawal of the US Seventh Fleet from Formosa; and (c) the seating of the Chinese Communist regime in the UN. Lie said Wu's position on these demands was "very firm."

In his conversation with Indian delegate Rau, Wu voiced very strong resentment against "the American ruling circles" and insisted the Peiping Government really believes that the US is intent upon war with China. Rau reports that the question of Formosa appeared to figure prominently in Wu's thinking. In citing US "aggressive designs" against China, Wu used Formosa, rather than Korea, as his main talking point and did not, incidentally, mention the 38th Parallel. Wu made it clear that the importance which Peiping attaches to Formosa is grounded in large part on their belief that the US intends to keep Chiang Kai-shek in power on Formosa with a well-supplied armed force which would stand as a constant threat to the mainland and therefore as a constant peril to the security of China.

Wu reportedly indicated that although the Peiping regime attaches the greatest importance to a solution of the Formosa question, the Communist leaders also attach considerable importance to being seated in the UN. According to Rau, Wu referred to Peiping's exclusion from the UN repeatedly throughout the conversation, clearly indicating it

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was a source of Chinese Communist bitterness against the US. In this connection, Wu pointed to the fact that the UN offensive in Korea coincided with his arrival at Lake Success. Wu appeared to place great importance on this coincidence and mentioned it, along with the US attitude toward seating the Chinese Communists at the UN and the US "occupation of Formosa," as evidence of a hostile US attitude toward the Peiping Government.

EUROPE

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2. GERMANY: Reactions to Chinese action in Korea--US High Commissioner McCloy, in reporting German reactions to the Chinese Communist offensive in Korea, finds that the "suddenness and vehemence" of the Chinese thrust has greatly strengthened German apprehensions about the future; he warns that although the first week has brought on no repetition of the near-panic of pre-Inchon days, the same phenomena may appear when the full impact of Chinese Communist intervention is felt. McCloy observes that Germans generally recognize the full seriousness of the situation but hope that the war can still be localized. He does not discern any clear trend as yet, in response to the Korean situation, regarding German views on European rearmament and German participation therein. He indicates that US statements at this time cannot be expected to do much to strengthen German morale, unless something can be done about the movement of US troops to Germany.

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3. USSR: Current propaganda line--US Embassy Moscow believes the "authoritative policy statement" published in "Pravda" on 3 December, apparently in reaction to President Truman's press conference of 30 November, appears to be directed primarily to foreign audiences although it has domestic implications as well. The Embassy believes the statement demonstrates the Soviet desire to keep the Chinese from any rapprochement with the US, by pointing out to the Chinese the folly of giving credence to US expressions of peaceful intentions and by encouraging them to assert their interests through force. The statement also follows the Soviet policy of attempting to divide Western opinion, in this case directed particularly toward the British and the French. On the domestic side, the Embassy thinks the statement implies the imminence of possible full-scale conflict between the US and China. No mention was made, however, of the President's statement regarding the atomic bomb, a fact which the Embassy believes may indicate a Soviet desire not to alarm the Soviet people too much.

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FAR EAST

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4. INDOCHINA: French to begin partial evacuation of Tonkin--French High Commissioner Pignon in Saigon has informed US Ambassador Heath of his intention to begin evacuating all French women, children, and aged persons from Tonkin beginning 6 December. The evacuation will extend over a period of a month but can be accelerated if military developments require. French civilian employees and non-official French men will not be evacuated; in fact, French men employed in essential services may be mobilized to remain on the job. Pignon indicated

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he ruled against this decision a week ago, but he has now decided--considering Chinese participation in the Korean war, intelligence reports on Chinese military preparations in southern China, and the recent tone of the Viet Minh radio--that the decision can no longer be delayed. Pignon said that whereas the Viet Minh radio formerly soft-pedalled Chinese aid, it now proclaims and exaggerates this aid, apparently intending to prepare Vietnam public opinion for outright Chinese participation. According to Pignon, the military situation remains about as it has been recently reported and French officials still feel that even without the reinforcement and supplies expected by the end of December they can maintain their position against a purely Viet Minh operation. They point out, however, that the intervention of only 25,000 Chinese would upset this precarious balance and the intervention of 100,000 would make the French position in the Tonkin area untenable.

Meanwhile, US Consul Blancke in Hanoi has learned that French forces in North Vietnam are busy setting up a beachhead and a line of retreat in the event of a Chinese Communist invasion, a threat which is considered worthy of all precautions. These French plans are based on the maintenance of sea control. The French Commanding General in the Tonkin area believes the Viet Minh still need a month or more to mount an offensive; he does expect imminent attacks against the Moncay garrison on the China border, however, and named 9 December as a possible date. Blancke feels the French may underestimate the Viet Minh.

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